MEC Resources

Appendix 4D -Half year report

Results for announcement to the market

Name of Entity	MEC Resources Limited
ABN	44 113 900 020
Half Year Ended	31 December 2017
Previous Corresponding Reporting Period	31 December 2016

				$A'000
Revenues from ordinary activities	Up	263%	to	40
(Loss) from ordinary activities after tax attributable to members	down	17%	to	(338)
Net (loss) for the period attributable to members	down	17%	to	(338)

Dividends (distributions)	**Amount per security**	**Franked amount per security**
Final dividend Interim dividend	Nil	Nil
Previous corresponding period	N/A	N/A

Please refer to attached accounts for commentary on the results

Other notes to the condensed financial statements

Ratios	**Current period**	**Previous corresponding Period**
Loss before tax / revenue Consolidated (loss) from ordinary activities before tax as a percentage of revenue	(835.62)%	(3673.37)%
Loss after tax / equity interests Consolidated net (loss) from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	(0.12)%	(1.57)%

NTA Backing	**Current period**	**Previous corresponding Period**
Net tangible asset backing per ordinary security	11.1cps	15.6 cps

The operating loss for the consolidated entity after tax for the half- year ended 31 December 2017 was $392,185 (2016: $474,963).

The net assets of the consolidated entity have increased by $232,979 to $28,697,433 at 31 December 2017.

Developments during the year included:

MEC Resources Ltd

- MEC Resources withdrew its statutory demand for repayment of outstanding moneys owed to it pursuant to a formal loan agreement with BPH Energy Ltd, entered into in 2014. The withdrawal of the statutory demand was intended to facilitate a 'global resolution' of disputes between the Company, BPH Energy Ltd and Grandbridge Ltd. No credible offers to resolve these disputes was received by the Company. MEC Resources pursued a Summary Judgement application as an initial recovery step, through the District Court of Western Australia against BPH Energy Ltd for recovery of debts owing. The case was heard on 13 December 2017. On 23 February 2018 the Company announced that it had been advised that its summary judgment application was unsuccessful. The primary basis for this decision was that advice provided by the Company to its auditors indicating a potential delay in calling on funds owed from BPH Energy Ltd may arguably constitute a variation to the loan agreement. Based on the fact that this was a summary judgement application, the Company understands that the decision of the registrar is not an indication of the relative merits of either party's case rather; it is simply an acknowledgement that BPH was able to overcome the relatively low threshold to establish that it may have an arguable defence. It is the Company's continuing belief that it has a strong case and will now proceed to trial through the District Court of Western Australia to recover funds it believes are outstanding and rightly owing to it.

- MEC Resources undertook a Share Purchase Plan during the half year which raised $539,500 before costs. Funds received have been applied to the continuation of support of Advent Energy Ltd in works associated with PEP11 seismic acquisition, and well intervention planning for EP386 and RL1, plus towards working capital.

- During the half year MEC Resources increased its investment into Advent Energy Ltd to 47.06%.

- On 22 January 2018 MEC announced a placement of 14,285,714 shares to sophisticated and professional investors at 2.1c per share to raise $300,000 before costs.

Advent Energy Limited

- Advent Energy submitted an Environment Plan (EP) to undertake the PEP11 2D Baleen HR Seismic Survey to the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) in July 2017. NOPSEMA requested a modification and resubmission of the EP which was duly provided in October 2017. A Request For Further Written Information (RFFWI) was issued by NOPSEMA in December 2017, and duly responded to by Advent Energy. On 10 January 2018 NOPSEMA formally accepted the EP. Advent Energy is now commencing mobilisation of key equipment and preparation to undertake the survey.

- On 1 November 2017, MEC Resources announced that Advent Energy had agreed binding loan facility terms with Wonderhealth Pty Ltd (an entity associated with MEC Resources Chairman Goh Hock) and Heydon Properties Limited (an entity associated with MEC Resources non-executive director K O Yap) for provision of loan facilities to Advent Energy. MEC Resources is acting as guarantor for these loan facilities, totalling a maximum amount of $125,000 from each lender. Funds drawn under the facility are to be used in assisting funding costs for the execution of the PEP11 2D Baleen HR Seismic Survey. No funds have been drawn from these facilities at this time.

- On the 5 December 2017 the Company announced the details of the term sheet agreed between Asset Energy Pty Ltd (a wholly owned subsidiary of Advent), Bounty Oil and Gas NL (existing PEP11 JV partners) and RL Energy Pty Ltd (**RL Energy**) whereby RL Energy may earn an interest of up to 60% in PEP11 by funding certain costs of completing 2D and 3D seismic surveys in respect of PEP 11. The conditions precedent to the farmin agreement included but were not limited to, the execution of a full form conditional farm-in joint venture agreement and receipt of all necessary approvals (including regulatory and shareholder approvals to the extent required).

  On 19 February 2018 Advent Energy advised that RL Energy had confirmed its intention to pursue the "expedited option" contemplated under the term sheet. This option involves completion of the present PEP11 year 5 work commitment of at least 500km2 of 3D seismic at the earliest opportunity and prior to an exploration well being drilled (which is the present PEP11 year 4 work commitment). RL Energy expect to fund 85% of the Joint Venture's costs of completing the 3D survey (which will be conducted in the two phases) up to a maximum of $4M. The formal farm-in agreement is in the process of being finalised.

Contents

MEC Resources Ltd and its controlled entities

Company Information

Directors
H Goh – Non-Executive Chairman
K O Yap – Non-Executive Director
D Ambrosini – Executive Director
H Yu – Non-Executive Director
D Moore – Non-Executive Director
M Battrick- Non-Executive Director (alternate for Mr D Moore appointed 4 September 2017)

Company Secretary
Deborah Ambrosini

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Melbourne Victoria

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Website: www.mecresources.com.au
E-mail: info@mecresources.com.au

Auditor
HLB Mann Judd
Level 4,
130 Stirling Street
PERTH WA 6000

Share Registry
Advanced Share Registry Ltd
110 Stirling Highway
NEDLANDS WA 6009

Australian Securities Exchange Listing
Australian Securities Exchange Limited
(Home Exchange: Perth, Western Australia)
ASX Code: MMR

Australian Business Number
44 113 900 020

The directors of MEC Resources Ltd ("**MEC Resources**") submit herewith the financial report for the half year ended 31 December 2017. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names of the directors of the company during or since the end of the period are:
H Goh
K O Yap
D Ambrosini
H Yu
D Moore
M Battrick (alternate for Mr D Moore appointed 4 September 2017)

Review of Operations

Operating loss for the entity after tax for the half-year ended 31 December 2017 was $392,185 (2016: $474,963).

MEC Resources Ltd

- MEC Resources withdrew its statutory demand for repayment of outstanding moneys owed to it pursuant to a formal loan agreement with BPH Energy Ltd, entered into in 2014. The withdrawal of the statutory demand was intended to facilitate a 'global resolution' of disputes between the Company, BPH Energy Ltd and Grandbridge Ltd. No credible offers to resolve these disputes was received by the Company. MEC Resources pursued a Summary Judgement application, as an initial recovery step, through the District Court of Western Australia against BPH Energy Ltd for recovery of debts owing. The case was heard on 13 December 2017. On 23 February 2018 the Company announced that it had been advised that its summary judgment application was unsuccessful. The primary basis for this decision was that advice provided by the Company to its auditors indicating a potential delay in calling on funds owed from BPH Energy Ltd may arguably constitute a variation to the loan agreement. Based on the fact that this was a summary judgement application, the Company understands that the decision of the registrar is not an indication of the relative merits of either party's case rather; it is simply an acknowledgement that BPH was able to overcome the relatively low threshold to establish that it may have an arguable defence. It is the Company's continuing belief that it has a strong case and will now proceed to trial through the District Court of Western Australia to recover funds it believes are outstanding and rightly owing to it.

- MEC Resources undertook a Share Purchase Plan during the half year which raised $539,500 before costs. Funds received have been applied to the continuation of support of Advent Energy Ltd in works associated with PEP11 seismic acquisition, and well intervention planning for EP386 and RL1, plus towards working capital.

- During the half year MEC Resources increased its investment into Advent Energy Ltd to 47.06%.

- On 22 January 2018 MEC announced a placement of 14,285,714 shares to sophisticated and professional investors at 2.1c per share to raise $300,000 before costs.

Advent Energy Limited

- Advent Energy submitted an Environment Plan (EP) to undertake the PEP11 2D Baleen HR Seismic Survey to the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) in July 2017. NOPSEMA requested a modification and resubmission of the EP which was duly provided in October 2017. A Request For Further Written Information (RFFWI) was issued by NOPSEMA in December 2017, and duly responded to by Advent Energy. On 10 January 2018 NOPSEMA formally accepted the EP. Advent Energy is now commencing mobilisation of key equipment and preparation to undertake the survey.

- On 1 November 2017, MEC Resources announced that Advent Energy had agreed binding loan facility terms with Wonderhealth Pty Ltd (an entity associated with MEC Resources Chairman Goh Hock) and Heydon Properties Limited (an entity associated with MEC Resources non-executive director K O Yap) for provision of loan facilities to Advent Energy. MEC Resources is acting as guarantor for these loan facilities, totalling a maximum amount of $125,000 from each lender. Funds drawn under the facility are to be used in assisting funding costs for the execution of the PEP11 2D Baleen HR Seismic Survey. This loan facility has been put in place to ensure that Advent does have sufficient cash to fund the 2D seismic survey, without risking the loss of this permit. No funds have been drawn from these facilities at this time.

- On the 5 December 2017 the Company announced the details of the term sheet agreed between Asset Energy Pty Ltd (a wholly owned subsidiary of Advent), Bounty Oil and Gas NL (existing PEP11 JV partners) and RL Energy Pty Ltd (**RL Energy**) wherebyRL Energy may earn an interest of up to 60% in PEP11 by funding certain costs of completing 2D and 3D seismic surveys in respect of PEP 11. The conditions precedent to the farmin agreement included but were not limited to, the execution of a full form conditional farm-in joint venture agreement and receipt of all necessary approvals (including regulatory and shareholder approvals to the extent required).

Subsequent Events

- On 17 January 2018 MEC Resources announced that it had once again received a notice purportedly issued under section 203D of the Corporations Act 2001 (Cth) (the "Act") (the "Notice") from various shareholders set out in the Schedule to this announcement (together, the "Requisitionists"). The Requisitionists at that time, represented in aggregate approximately 5.004% of the votes that may be cast at a general meeting of the Company.

  A letter accompanying the Notice states that it is the intention of the Requisitionists to call a meeting of shareholders under section 249F of the Act pursuant to which the Requisitionists (and not MEC) would call the meeting by issuing the enabling Notice of Meeting. Pursuant to section 203D, any such meeting cannot be held until at least two months after receipt of the Notice.

- On 8 January 2018 MEC announced that its investee company Advent Energy Ltd through its wholly owned subsidiary Asset Energy Pty had received notification that NOPTA had approved an extension to the term of the PEP 11 title. The term of PEP11 now concludes in February 2021.

- On 10 January 2018 MEC announced that the National Offshore Petroluem Safety and Management Authority had formally accepted the PEP 11 Baleen 2D HR Seismic Survey Environmental Plan. Advent Energy has now commenced mobilisation of equipment and preparations to undertake the 2D survey.

- On 22 January 2018 MEC announced a placement of 14,285,714 shares to sophisticated and professional investors at 2.1c per share to raise $300,000 before costs.

- On 19 February 2018 Advent Energy advised that RL Energy had confirmed its intention to pursue the "expedited option" contemplated under the term sheet. This option involves completion of the present PEP11 year 5 work commitment of at least 500km2 of 3D seismic at the earliest opportunity and prior to an exploration well being drilled (which is the present PEP11 year 4 work commitment). RL Energy expect to fund 85% of the Joint Venture's costs of completing the 3D survey (which will be conducted in the two phases) up to a maximum of $4M. The formal farm-in agreement is in the process of being finalised.

- On 23 February 2018 the Company announced that it had been advised that its summary judgment application was unsuccessful. The primary basis for this decision was that advice provided by the Company to its auditors indicating a potential delay in calling on funds owed from BPH Energy Ltd may arguably constitute a variation to the loan agreement. Based on the fact that this was a summary judgement application, the Company understands that the decision of the registrar is not an indication of the relative merits of either party's case rather; it is simply an acknowledgement that BPH was able to overcome the relatively low threshold to establish that it may have an arguable defence. It is the Company's continuing belief that it has a strong case and will now proceed to trial through the District Court of Western Australia to recover funds it believes are outstanding and rightly owing to it.

Dividends

The Directors recommend that no dividend be paid in respect of the current period and no dividends have been paid or declared since the commencement of the period.

Auditor's Independence

The directors received a declaration of independence from the auditor. This is included in the financial report on page 4.

Signed in accordance with a resolution of the directors made pursuant to s306(3) of the *Corporations Act 2001*.

On behalf of the Directors

G Hock
Chairman
SYDNEY, 26 February 2018

HLB Mann Judd
Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of MEC Resources Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia	**B G McVeigh**
26 February 2018	**Partner**

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Directors' Declaration

MEC Resources Ltd and its controlled entities

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

G Hock
Chairman
SYDNEY, 26 February 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half year ended 31 December 2017

MEC Resources Ltd and its controlled entities

		Consolidated	
	Note	31 December 2017 $	31 December 2016 $
Revenue			
Revenue from ordinary activities	4	40,470	11,159
Other gains/(losses)	4	-	(28,733)
Other income	4	79,158	-
Administration expenses		(33,849)	(23,210)
Consulting and legal expenses		(290,613)	(129,537)
Management services expense		-	(80,323)
Employee Benefits expense		(119,364)	(191,476)
Interest expense		(1,216)	(1,364)
Insurance expenditure		(11,368)	(15,462)
Other expenses		(35,703)	(12,471)
Traveling expense		(19,700)	(3,546)
Loss before income tax		(392,185)	(474,963)
Income tax expense		-	-
Loss from continuing operations		(392,185)	(474,963)
Other Comprehensive Income		-	-
Total Comprehensive Income for the period		**(392,185)**	**(474,963)**
Loss attributable to non-controlling interest		(54,008)	(65,050)
Loss attributable to members of the parent entity		**(338,177)**	**(409,913)**
Total Comprehensive Loss attributable to non-controlling interest		(54,008)	(65,050)
Total Comprehensive Loss attributable to parent		**(338,177)**	**(409,913)**
Earnings Per Share -			
Basic and Diluted (cents per share)		(0.16)	(0.22)

The accompanying notes form part of these financial statements.

	Note	Consolidated 31 December 2017 $	Consolidated 30 June 2017 $
Current Assets			
Cash and cash equivalents	**5**	591,140	600,601
Trade receivables		153,518	126,644
Financial assets	**10**	423,632	385,646
Other current assets		23,454	26,777
Total Current Assets		1,191,744	1,139,668
Non-Current Assets			
Intangible assets		22,674	22,674
Evaluation and exploration costs	**11**	29,182,472	29,050,947
Financial Assets	**10**	113,008	113,008
Property, plant & equipment		1,593	1,295
Total Non-Current Assets		29,319,747	29,187,924
Total Assets		30,511,491	30,327,592
Current Liabilities			
Trade and other payables		883,950	936,510
Financial Liabilities	**12**	813,422	813,422
Short-term provisions		88,217	85,727
Total Current Liabilities		1,785,589	1,835,659
Non-Current Liabilities			
Provisions		28,469	27,479
Total Non-Current Liabilities		28,469	27,479
Total Liabilities		1,814,058	1,863,138
Net Assets		**28,697,433**	**28,464,454**
Equity			
Issued capital	**6**	27,405,925	26,812,441
Option Reserve		16,267,928	15,847,037
Accumulated losses		(27,113,390)	(26,775,213)
Total Equity Attributable to Owners		16,560,463	15,884,265
Non-controlling Interest		12,136,970	12,580,189
Total Equity		**28,697,433**	**28,464,454**

The accompanying notes form part of these financial statements.

Consolidated

	Issued Capital $	Accumulated losses $	Option Reserve $	Contribution Reserve $	Total attributable to owners $	Non-Controlling Interest $	Total Equity $
Balance at 1 July 2016	26,165,961	(25,874,320)	528,990	15,316,219	16,136,850	12,709,970	28,846,820
Loss attributable to members of the consolidated entity	-	(409,913)	-	-	(409,913)	(65,050)	(474,963)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	(409,913)	-	-	(409,913)	(65,050)	(474,963)
Shares issued on exercise of options	-	-	1,075	-	1,075	-	1,075
Balance at the half year ended 31 December 2016	26,165,961	(26,284,233)	530,065	15,316,219	15,728,012	12,644,920	28,372,932

	Issued Capital $	Accumulated losses $	Option Reserve $	Contribution Reserve $	Total attributable to owners $	Non-Controlling Interest $	Total Equity $
Balance at 1 July 2017	26,812,441	(26,775,213)	530,818	15,316,219	15,884,265	12,580,189	28,464,454
Loss attributable to members of the consolidated entity	-	(338,177)	-	-	(338,177)	(54,008)	(392,185)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	(338,177)	-	-	(338,177)	(54,008)	(392,185)
Shares issued during the period	593,484	-	-	-	593,484	-	593,484
Transactions with non-controlling interest	-	-	-	420,460	420,460	(389,211)	31,249
Share based payments	-	-	431	-	431	-	431
Balance at the half year ended 31 December 2017	27,405,925	(27,113,390)	531,249	15,736,679	16,560,463	12,136,970	28,697,433

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows
for the half year ended 31 December 2017
MEC Resources Ltd and its controlled entities

	Note	Consolidated 31 December 2017 $	Consolidated 31 December 2016 $
Cash Flows From Operating Activities			
Payments to suppliers and employees		(499,361)	(428,817)
Interest received		2,485	2,362
Net cash used in operating activities		(496,876)	(426,455)
Cash Flows From Investing Activities			
Repayment of loans to other entities		(843)	-
Deferred exploration costs		(131,525)	(10,000)
Net cash used in investing activities		(132,368)	(10,000)
Cash Flows From Financing Activities			
Proceeds from share issues		619,783	-
Net cash used in financing activities		619,783	-
Net decrease in Cash Held		(9,461)	(436,455)
Cash At the Beginning Of The Period		600,601	877,018
Cash At The End Of The Period	5	591,140	440,563

The accompanying notes form part of these financial statements

1. CORPORATE INFORMATION

The financial report of MEC Resources Ltd (the company) and its controlled entities for the half-year ended 31 December 2017 was authorised for issue in accordance with a resolution of the directors on 26 February 2018.

MEC Resources Ltd is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 Interim Financial Reporting.

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of MEC Resources Ltd as at 30 June 2017.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

It is also recommended that the half-year financial report be considered together with any public announcements made by MEC Resources Ltd and its controlled entities during the half-year ended 31 December 2017 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the ASX Listing Rules.

(a) Basis of Preparation

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(b) Significant Accounting Policies

The half-year condensed consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial Position

The consolidated entity has incurred losses for the year ended 31 December 2017 of $392,185 (2016: $474,963). The consolidated entity has cash assets of $591,140 as at 31 December 2017 (30 June 2017: $600,601). The consolidated entity had a working capital deficit of $593,845 at 31 December 2017 (30 June 2017 deficit of $695,991).

Included in trade and other payables is a balance of $595,449 owing to current directors for outstanding fees payable at 31 December 2017. The directors have reviewed the non-exploration expenditure and commitments for the consolidated entity. The directors as a part of their cash monitoring, have expressed an intention to voluntarily suspended cash payments for their director's fees prior to and as at the date of this report to conserve cash resources of the Company. However, in the event of any termination of their services, fees will become immediately due and payable, including any outstanding fees owed at 31 December 2017.

The Group's subsidiary Advent Energy Ltd, has commitments for its exploration permits of $4,497,500 over the next 12 months under the terms of its application licence in order to maintain tenure. On the 5 December 2017 the Company announced the details of the term sheet agreed between Asset Energy Pty Ltd (a wholly owned subsidiary of Advent), Bounty Oil and Gas NL (existing PEP11 JV partners) and RL Energy Pty Ltd (RL Energy) whereby RL Energy may earn an interest of up to 60% in PEP11 by funding certain costs of completing 2D and 3D seismic surveys in respect of PEP 11. The conditions precedent to the farmin agreement included but were not limited to, the execution of a full form conditional farm-in joint venture agreement and receipt of all necessary approvals (including regulatory and shareholder approvals to the extent required). On 19 February 2018 Advent Energy advised that RL Energy had confirmed its intention to pursue the "expedited option" contemplated under the term sheet. This option involves completion of the present PEP11 year 5 work commitment of at least 500km2 of 3D seismic at the earliest opportunity and prior to an exploration well being drilled (which is the present PEP11 year 4 work commitment). RL Energy expect to fund 85% of the Joint Venture's costs of completing the 3D survey (which will be conducted in the two phases) up to a maximum of $4M. The formal farm-in agreement is in the process of being finalised. Refer to note 11 for further details.

Included in financial assets is a loan receivable from BPH Energy Ltd for the amount of $378,765 which includes interest to 31 December 2017. The loan became due and payable on 24 December 2016 and is currently accruing interest at a default interest rate of 20.97% per annum. MEC Resources pursued a Summary Judgement application as an initial step through the District Court of Western Australia against BPH Energy Ltd for recovery of debts owing. The case was heard on 13 December 2017. On 23 February 2018 the Company announced that it had been advised that its summary judgment application was unsuccessful. The primary basis for this decision was that advice provided by the Company to its auditors indicating a potential delay in calling on funds owed from BPH Energy Ltd may arguably constitute a variation to the loan agreement. Based on the fact that this was a summary judgement application, the Company understands that the decision of the registrar is not an indication of the relative merits of either party's case rather; it is simply an acknowledgement that BPH was able to overcome the relatively low threshold to establish that it may have an arguable defence. It is the Company's continuing belief that it has a strong case and will now proceed to trial through the District Court of Western Australia to recover funds it believes are outstanding and rightly owing to it.

The directors have prepared cash flow forecasts that indicate that the consolidated entity will have sufficient cash flows (prior to the execution of the farmin agreement) to meet its non-exploration commitments and a portion of exploration commitments for a period of at least 12 months from the date of this report.

Based on the cash flow forecasts, the directors intention to not call their outstanding fees and suspending cash payments at this time and the monitoring of operational costs, the directors are satisfied that, the going concern basis of preparation is appropriate. Notwithstanding this there exists a historical liability and the Company disputes the liability for these amounts. There is no formal agreement between Grandbridge Limited, BPH Energy Ltd and the Company in respect of these amounts. Should there be an unfavourable resolution this may cast doubt on the Group's ability to continue as a going concern. The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the settlement of liabilities in the ordinary course of business.

For further disclosure concerning the exploration permits and expenditure commitments of the Group and for the uncertainty regarding the ability of the Group to realise the associated capitalised exploration expenditure please refer to Note 11.

Application of New and Revised Accounting Standards

Standards and Interpretations applicable to 31 December 2017

In the half year ended 31 December 2017, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half year reporting periods beginning on or after 1 July 2017.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and therefore no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted applicable to 31 December 2017

The Directors have also reviewed all of the new and revised Standards and Interpretations in Issue not yet adopted that are relevant to the Company and effective for the half year reporting periods beginning on or after 1 July 2017.

Those which may have a significant impact to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 9 Financial Instruments (2014)
AASB 9 (2014), published in December 2014, replaces the existing guidance AASB 9 (2009), AASB 9 (2010) and AASB 139 Financial Instruments: Recognition and Measurement and is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.
The new standard results in changes to accounting policies for financial assets and liabilities covering classification and measurement, hedge accounting and impairment. The Group has assessed these changes and determined that based on the current financial assets and liabilities held at reporting date, the Group will need to reconsider its accounting policies surrounding impairment recognition. The new impairment requirements for financial assets are based on a forward looking 'expected loss model' (rather than the current 'incurred loss model').
The Group does not expect a significant effect on the financial statements resulting from the change of this standard however the Group is in the process of evaluating the impact of the new financial instrument standard. The changes in the Group's accounting policies from the adoption of AASB 9 will be applied from 1 July 2018 onwards.

AASB 15 Revenue from Contracts with Customers
AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, including in respect of multiple element arrangements. It replaces existing revenue recognition guidance, AASB 111 Construction Contracts, AASB 118 Revenue and AASB 1004 contributions. AASB 15 is effective from annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The core principle of AASB 15 is that it requires identification of discrete performance obligations within a transaction and associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks and rewards. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed. The Group has commenced the process of evaluating the impact of the new standard on existing revenue streams and will first apply AASB 15 in the financial year beginning 1 July 2018.

AASB 16 Leases
AASB 16 replaces the current AASB 17 Leases standard. AASB 16 removes the classification of leases as either operating leases or finance leases- for the lessee - effectively treating all leases as finance leases. Most leases will be capitalised on the balance sheet by recognising a 'right-of-use' asset and a lease liability for the present value obligation. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in expense recognition, with interest and deprecation replacing operating lease expense.

Lessor accounting remains similar to current practice, i.e. lessors continue to classify leases as finance and operating leases.

3. SEGMENT INFORMATION

Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the managing director and his management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The operating segments are identified by management based on their investment in exploration companies. Discrete financial information about each of these operating segments is reported to the managing director and his management team on at least a monthly basis. Currently, management's focus is on the exploration program of Advent Energy projects PEP 11 and EP 386/RL1. The group operates predominantly in one segment, namely investments in mining and resources. These activities are predominantly in Australia.

Accounting policies and inter-segment transactions

The accounting policies used by the group in reporting segments are the same as those contained in note 1 to the accounts and in the prior period.

4. REVENUE, INCOME AND EXPENSES

	Consolidated	
	31 December 2017 $	**31 December 2016 $**
Revenue		
Interest revenue : other entities	40,470	11,159
	40,470	11,159
Other gains and losses		
Net loss on financial assets designated as fair value through profit and loss	-	(28,733)
	-	(28,733)

	Consolidated	
Other income	**31 December 2017 $**	**31 December 2016 $**
R&D claim	50,626	-
Project costs recovered	28,532	-
	79,158	-

Expenses		
Consulting and legal expenses		
Consulting	198,847	82,203
Legal	91,766	47,334
	290,613	129,537

The increase in legal costs in the current year is attributable to the costs incurred in recovering funds owed by BPH Energy Ltd and the recent SPP. BPH has defaulted under the loan agreement entered into on or about 14 November 2014 and monies are presently owed to the Company by BPH. The Company has made various attempts to resolve the matter of the outstanding monies owed to it by BPH to no avail. These attempts have included informal and formal discussions between the parties and their representatives, a formal Notice of Default being issued pursuant to the Agreement and a statutory demand being issued by the Company to BPH on 3 July 2017 which was subsequently withdrawn to enable further settlement discussions to occur.

Despite the above, BPH has not at any time presented the Company with an offer capable of acceptance to satisfy the Company's claim for monies owed pursuant to the Agreement causing the Company to commence legal action. The amount owing to the Company at 31 December 2017 is in excess of $378k.

Increase in consulting costs is attributable to additional work being undertaken in preparation for the 2D seismic campaign in PEP 11. The work is scheduled to begin April 2018.

5. CASH AND CASH EQUIVALENTS

	Consolidated	
	31 December 2017 $	**30 June 2017 $**
For the purpose of the half-year condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand	591,140	600,601
	591,140	600,601

6. CONTRIBUTED EQUITY

	Consolidated	
	31 December 2017 $	**30 June 2017 $**
Ordinary shares (i)	28,446,144	27,842,590
Less :Capital Raising Costs	(1,040,219)	(1,030,149)
	27,405,925	26,812,441

(i) Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	Number	$
Movement in ordinary shares on issue		
As at 1 July 2017	223,123,227	26,812,441
Shortfall shares issued under non-renounceable entitlements issue	300,000	8,400
Shares issued under placement	2,694,595	50,704
Shares issued under Share Purchase Plan	30,851,978	539,500
Shares issued as payment of consulting fees	215,217	4,950
Capital raising costs capitalised	-	(10,070)
Balance as at 31 December 2017	257,185,017	27,405,925

7. CONTINGENT ASSETS AND LIABILITIES

On 2 February 2017, the Company issued a legal proceeding out of the Supreme Court of Western Australia against Trandcorp Pty Ltd ("Trandcorp") and former Managing Director, Mr Breeze, in order to protect its interests and its confidential information. In this proceeding, the Company asserts that it is not in possession of all Company property and data under the control of Trandcorp and Mr Breeze despite contractual obligations requiring the return of this material following the termination of Trandcorp's engagement as consultant and the cessation of Mr Breeze's appointment as Managing Director of the Company in late November 2016.

The Company seeks, among other things, orders for the return of Company property and data and damages for breach of the consultancy agreement.

Mr Breeze and his associated party have filed and served a defence and counterclaim in the proceedings. The Company denies the counterclaim.

8. COMMITMENTS

Capital Commitments

In order to maintain an interest in the exploration tenements in which the group is involved, the group is committed to meet the conditions under which the tenements were granted.

Group expenditure required to meet the terms of the exploration licences at the reporting date but not recognised as liabilities is as follows:

	Consolidated	
	31 December 2017 $	**30 June 2017 $**
Work Program Commitments – Exploration permits		
Payable:		
Within one year	4,497,500	20,520,500
Greater than one year less than five years	15,725,000	-
Total	20,222,500	20,520,500

On 8 January 2018 MEC announced that its investee company Advent Energy Ltd through its wholly owned subsidiary Asset Energy Pty had received notification that NOPTA had approved an extension to the term of the PEP 11 title. The term of PEP11 now concludes in February 2021.

9. EVENTS AFTER THE BALANCE DATE

On 17 January 2018 MEC Resources announced that it had once again received a notice purportedly issued under section 203D of the Corporations Act 2001 (Cth) (the "Act") (the "Notice") from various shareholders set out in the Schedule to this announcement (together, the "Requisitionists"). The Requisitionists at that time, represented in aggregate approximately 5.004% of the votes that may be cast at a general meeting of the Company.

A letter accompanying the Notice states that it is the intention of the Requisitionists to call a meeting of shareholders under section 249F of the Act pursuant to which the Requisitionists (and not MEC) would call the meeting by issuing the enabling Notice of Meeting. Pursuant to section 203D, any such meeting cannot be held until at least two months after receipt of the Notice.

On 8 January 2018 MEC announced that its investee company Advent Energy Ltd through its wholly owned subsidiary Asset Energy Pty had received notification that NOPTA had approved an extension to the term of the PEP 11 title. The term of PEP11 now concludes in February 2021.

On 10 January 2018 MEC announced that the National Offshore Petroluem Safety and Management Authority had formally accepted the PEP 11 Baleen 2D HR Seismic Survey Environmental Plan. Advent Energy has now commenced mobilisation of equipment and preparations to undertake the 2D survey.

On 22 January 2018 MEC announced a placement of 14,285,714 shares to sophisticated and professional investors at 2.1c per share to raise $300,000 before costs.

On 19 February 2018 Advent Energy advised that RL Energy had confirmed its intention to pursue the "expedited option" contemplated under the term sheet. This option involves completion of the present PEP11 year 5 work commitment of at least 500km2 of 3D seismic at the earliest opportunity and prior to an exploration well being drilled (which is the present PEP11 year 4 work commitment). RL Energy expect to fund 85% of the Joint Venture's costs of completing the 3D survey (which will be conducted in the two phases) up to a maximum of $4M. The formal farm-in agreement is in the process of being finalised.

On 23 February 2018 the Company announced that it had been advised that its summary judgment application (used as an initial recovery step) was unsuccessful. The primary basis for this decision was that advice provided by the Company to its auditors indicating a potential delay in calling on funds owed from BPH Energy Ltd may arguably constitute a variation to the loan agreement. Based on the fact that this was a summary judgement application, the Company understands that the decision of the registrar is not an indication of the relative merits of either party's case rather; it is simply an acknowledgement that BPH was able to overcome the relatively low threshold to establish that it may have an arguable defence. It is the Company's continuing belief that it has a strong case and will now proceed to trial through the District Court of Western Australia to recover funds it believes are outstanding and rightly owing to it.

10. FINANCIAL ASSETS

	Consolidated	
	31 December 2017 $	**30 June 2017 $**
Current		
Loan receivable	423,632	385,646
Total	**423,632**	**385,646**
Loan receivable – BPH Energy Ltd (b)	378,765	340,779
Loan receivable – Grandbridge Ltd (c)	44,867	44,867
Non Current		
Fair Value through Profit and Loss financial assets (a)		
Investment in BPH Energy Ltd	43,097	43,097
Available for sale financial assets (a)		
Investment in Molecular Discovery Systems Ltd	69,911	69,911
	113,008	113,008

Fair Value of Financial Assets

The methods and valuation techniques used for the purpose of measuring fair value of the company's financial assets are unchanged compared to the previous reporting period.
The levels of the hierarchy are as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(a) For financial instruments that are measured at fair value on a recurring basis, Level 1 and Level 3 applies to the company's non-current Fair Value through Profit and Loss financial assets and available for sale financial assets, respectively.

(b) On 22 October 2014 MEC entered into a convertible loan agreement with BPH Energy Ltd for a maximum $200,000. Interest is charged monthly at a rate of 8.97% per annum. The funds were to be used for working capital. The loan agreement is convertible at the election of MEC. The issue price on conversion will be the higher of $0.04 cents per share and the average closing price of the

Borrower Shares on the ASX over the 5 trading days immediately prior to the date of conversion. On 18 February 2016, the loan was extended to a maximum amount of $324,000. The loan became due and payable on 24 December 2016 and is currently accruing interest at a default interest rate of 20.97% per annum. On 21 July 2017, the Company withdrew its Statutory Demand against BPH Energy Ltd in an attempt to achieve global resolution of legal disputes between the Company, BPH Energy Ltd and Grandbridge Ltd. The withdrawal of the Statutory Demand by MEC should not in any way be construed as MEC resiling from the amounts it alleges are owed to it. It should be viewed as an attempt by the Board to resolve its disputes in the most commercial way possible so that the Company can focus on its core business.

Despite the attempts made by the Company, BPH did not at any time present the Company with an offer capable of acceptance to satisfy the Company's claim for monies owed pursuant to the Agreement. The Company has therefore formed the view that BPH has no desire to satisfy its claim to the monies it is owed under the Agreement. In the interests of its shareholders, the Company issued a legal proceeding out of the District Court of Western Australia to recover the monies owing pursuant to the Agreement.

On 13 December 2017, a summary judgement application, used an initial recovery step, was heard in the District Court of Western Australia following BPH Energy Ltd's non-repayment of outstanding monies. On 23 February 2018 the Company announced that it had been advised that its summary judgment was unsuccessful. The primary basis for this decision was that advice provided by the Company to its auditors indicating a potential delay in calling on funds owed from BPH Energy Ltd may arguably constitute a variation to the loan agreement. Based on the fact that this was a summary judgement application, the Company understands that the decision of the registrar is not an indication of the relative merits of either party's case rather; it is simply an acknowledgement that BPH was able to overcome the relatively low threshold to establish that it may have an arguable defence. It is the Company's continuing belief that it has a strong case and will now proceed to trial through the District Court of Western Australia to recover funds it believes are outstanding and rightly owing to it. As at reporting date the closing balance of the loan including daily interest accrued to 31 December 2017 was $378,765 (2016: $292,870).

(c) There is no formal agreement between Grandbridge Limited and the Company in respect of these amounts. Furthermore, and in an effort to set-off the Company's claim against BPH Energy Ltd, Grandbridge Limited has purported to assign the receivable of this purported loan to BPH Energy Limited. The Company disputes the assignment of the purported debt.

11. EVALUATION AND EXLORATION

	Consolidated	
	31 December 2017 $	**30 June 2017 $**
Exploration expenditure capitalised		
Exploration and evaluation phases	29,182,472	29,050,947
	29,182,472	29,050,947

Reconciliation of movement during the year

	Consolidated	
	31 December 2017	**30 June 2017**
	$	**$**
Opening balance at 1 July	29,050,947	29,022,046
Capitalised expenditure – PEP 11	124,021	10,000
Capitalised expenditure – EP 386	7,504	18,901
Closing balance	29,182,472	29,050,947

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and sale of natural gas.

Exploration costs amounting to $131,525 (2016: $10,000) have been included in cash flows from investing activities in the statement of cash flows.

The consolidated group, has commitments for its exploration permits of $4,497,500 over the next 12 months from the reporting date under the terms of its application licences in order to maintain tenure.

It is expected that this will change significantly upon conclusion of the 2D seismic survey in PEP11, as, once the PEP11 Year 2&3 commitments are achieved, it is open to Advent's wholly owned subsidiary Asset Energy Pty Ltd to apply for variation to the PEP11 Year 4 and 5 work program which currently includes an exploration well in Year 4 and 500 km^2 3D seismic in Year 5.

On the 5 December 2017 the Company announced the details of the term sheet agreed between Asset Energy Pty Ltd (a wholly owned subsidiary of Advent), Bounty Oil and Gas NL (existing PEP11 JV partners) and RL Energy Pty Ltd (RL Energy) whereby RL Energy may earn an interest of up to 60% in PEP11 by funding certain costs of completing 2D and 3D seismic surveys in respect of PEP 11. The conditions precedent to the farmin agreement included but were not limited to, the execution of a full form conditional farm-in joint venture agreement and receipt of all necessary approvals (including regulatory and shareholder approvals to the extent required). On 19 February 2018 Advent Energy advised that RL Energy had confirmed its intention to pursue the "expedited option" contemplated under the term sheet. This option involves completion of the present PEP11 year 5 work commitment of at least 500km2 of 3D seismic at the earliest opportunity and prior to an exploration well being drilled (which is the present PEP11 year 4 work commitment). RL Energy expect to fund 85% of the Joint Venture's costs of completing the 3D survey (which will be conducted in the two phases) up to a maximum of $4M. The formal farm-in agreement is in the process of being finalised.

To assist in meeting these commitments, the Group is continually seeking and reviewing potential sources of funding including farm-in and equity. The Company also believes that a number of the permit commitments for EP386 have already been met, totalling some $300,000 of indicative work commitments. Confirmation is being sought from the Western Australian Department of Mines, Industry, Regulation and Safety regarding this position.

Asset Energy Pty Ltd has invested over $25 million in the PEP11 title in recent history, and, along with its JV partner Bounty Oil and Gas NL, is committed to continuing to explore for and ultimately exploit any petroleum accumulations which may be identified in this title area.

In addition to the 2D seismic commitment in PEP11, Advent has commitments to drill an exploration well and perform a seismic survey by the end of March 2018 for EP 386. These 2 commitments comprise the significant balance of $2.5M and is included commitments shown above. It is anticipated that appropriate application will be made to the DMIRS in due course to allow Advent to complete these works in a suitable timeframe.

The above conditions indicate the uncertainty that may affect the ability of the Group to realise the carrying value of the exploration assets in the ordinary course of business.

12. FINANCIAL LIABILITIES

	Consolidated	
	31 December 2017 $	**30 June 2017 $**
Loans payable		
Loan from BPH Energy Limited (i)	41,935	41,935
Loan from Grandbridge Limited (i)	770,129	770,129
Loans from other entities (i)	1,358	1,358
	813,422	813,422

(i) The Company disputes the liability for these amounts. There is no formal agreement between Grandbridge Limited, BPH Energy Ltd and the Company in respect of these amounts. Furthermore, and in an effort to set-off the Company's claim against BPH Energy Ltd, Grandbridge Limited has purported to assign the benefit of this purported loan to BPH Energy Limited. The Company disputes the entitlement of Grandbridge Limited or BPH Energy Limited to these amounts or to any assignment of the purported debt.

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of MEC Resources Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of MEC Resources Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MEC Resources Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding going concern

Without modifying our conclusion we draw attention to Note 2(c) to the half-year financial report which sets out the uncertainty around Group's ability to continue as a going concern and therefore, whether the Group will be unable to realise its assets and discharge its liabilities in the normal course of business.

Material uncertainty regarding carrying value of exploration expenditure

Additionally, we draw attention to Note 11 to the half-year financial report which describes the uncertainty around the basis of continuing to recognise the carrying value of exploration and evaluation assets. Our conclusion is not modified in respect to this matter.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

B G McVeigh
Partner

Perth, Western Australia
26 February 2018